

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7583

BILL NUMBER: HB 1512

DATE PREPARED: Jan 21, 2001

BILL AMENDED:

SUBJECT: Classification for common construction wage.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the common construction wage committee in a county shall determine, among other items, a classification of the labor to be employed in the performance of a public work, divided where applicable into two skill levels, consisting of skilled labor (including journeymen) and apprentice labor. It provides a definition of apprentice. The bill also makes conforming amendments.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The common construction wage committee would be required to determine a scale of wages based on two skill levels (skilled labor and apprentice labor) for each classification of labor to be performed. Current law requires three classes (skilled, semiskilled, and unskilled labor) to be considered. The bill also includes a definition of "apprentice".

The influence of the change is expected to vary by project. However, a number of studies suggest that wage determination provisions generally increase the labor cost of public works projects from 5% to 16%. The precise impact of the change made by this bill cannot be determined.

Some studies argue for prevailing wage-type systems on the grounds that they lead to greater efficiency, quality, and safety by providing for a stable, well-trained labor force (benefits typically associated with union labor). If such benefits were realized, the state could realize savings in the long run. Unfortunately, data limitations and questionable methodology limit the conclusiveness of many studies on prevailing wage laws. The information in this fiscal note will be updated if a more precise estimate of the overall cost associated with this bill becomes available.

Secondary impact: If, as studies have shown, common wage requirements increase the costs of labor to the state, then higher wages may have the following effects:

- State income tax collections could increase (assuming no decrease in employment levels), stimulating consumption and further increasing sales tax revenue;
- Debt incurred to finance projects could increase due to higher project costs, requiring additional bonding or property taxes; and
- Funds may be used that otherwise would have been available for other public works projects. Similarly, capital expenses could be greater, making less funding available for noncapital expenses in project budgets.

Explanation of State Revenues:

Explanation of Local Expenditures: Local governmental units and school corporations could be affected by any changes in the Common Construction Wage determination process. (See Explanation of State Expenditures, above.)

Explanation of Local Revenues: Counties with local option income taxes may also experience some additional revenue if higher wages occur. (See Explanation of State Expenditures, above.)

State Agencies Affected: Department of Labor.

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: